

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 /090 R

DRAFTED BY ARA/AND:DKEMP
APPROVED BY ARA:TATODMAN
ARA/AND:MRBARNEBEY

-----019910 170607Z /20

P 162211Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY LIMA PRIORITY

C O N F I D E N T I A L STATE 068109

E.O. 11652: GDS

TAGS: ECON, EFIN, PE

SUBJECT: ASSISTANT SECRETARY'S MEETING WITH PERUVIAN
AMBASSADOR

1. PERUVIAN AMBASSADOR GARCIA BEDOYA MET WITH ASSISTANT
SECRETARY TODMAN ON MARCH 15 TO DELIVER A LETTER FROM
PRESIDENT MORALES BERMUDEZ TO PRESIDENT CARTER (TEXT PRO-
VIDED IN SEPTTEL). IN CONVERSATION CONCERNING THE PERUVIAN
ECONOMIC SITUATION, AMBASSADOR GARCIA BEDOYA DESCRIBED
KAREN DE YOUNG'S MARCH 14 ARTICLE IN THE WASHINGTON POST AS
A VERY STRONG ONE CONTAINING SOME HALF TRUTHS AND DISAGREE-
ABLE LANGUAGE. IN NOTING THAT HE WOULD BE WRITING A LETTER
OF REPLY TO THE NEWSPAPER, HE STATED THAT THE SUBJECT
SHOULD BE WRITTEN ABOUT, BUT WITH A MORE POSITIVE ACCENT.

2. TURNING TO THE SUBJECT OF THE IMF, GARCIA BEDOYA
CLAIMED THAT THE GOP AND THE FUND HAVE NO BASIC PROBLEM.
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LINDA KOENIG'S IMAGE IN PERU IS GREATLY DIMINISHED, AS
COULD BE EXPECTED IN THE CIRCUMSTANCES, BUT FUND OFFICIAL
KAFKA WAS WELL RECEIVED DURING HIS SHORT VISIT TO LIMA LAST
WEEK AND CAME AWAY WITH A MORE POSITIVE VIEW OF THE SITUA-
TION. THE FUND SEES THE BUDGET GAP AS THE MAJOR PROBLEM
OBSTRUCTING STANDBY AGREEMENT COMPLIANCE AND THIS WILL
REQUIRE COMPLEMENTARY MEASURES ON THE PART OF THE GOP, BUT

GARCIA BEDOYA INSISTED THAT THE SITUATION WOULD BECOME CRITICAL SHOULD THE FUND REQUIRE A TWO OR THREE MONTH WAITING PERIOD PRIOR TO THE SECOND DRAWDOWN.

3. AMBASSADOR GARCIA BEDOYA STATED THAT THE FUND SHOULD NOT INSIST ON TECHNICAL MEASURES BEING TAKEN IN A VACUUM, AND THE ASSISTANT SECRETARY AGREED THAT POLITICAL AND SOCIAL CONSEQUENCES MUST BE CONSIDERED. GARCIA BEDOYA NOTED THAT THE TIMING OF U.S. SUPPORT FOR PERU IN ITS PRESENT CRISIS IS FUNDAMENTAL. HE PRESENTED A COPY OF FOREIGN MINISTER DE LA PUENTE'S RECENT SPEECH AT THE UNCTAD MINISTERIAL MEETING IN GENEVA, STATING THAT THE LDC DEBT PROBLEM IS A CRITICAL ONE WHOSE SOLUTION REQUIRES NEW INTERNATIONAL CONCEPTS.

4. ON HIS DEPARTURE, THE PERUVIAN AMBASSADOR INFORMED THE ASSISTANT SECRETARY THAT HE WILL BE RETURNING TO LIMA ON MARCH 16 FOR A TEN-DAY PERIOD TO INCLUDE ROUTINE CONSULTATIONS. VANCE

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